



Strategic Plan

Fiscal Years 2000–2005

Treasury Inspector General for Tax Administration



Message from the Inspector General

The Treasury Inspector General for Tax Administration (TIGTA) organization was established in January 1999, in accordance with the Internal Revenue Service (IRS) Restructuring and Reform Act of 1998 (RRA 98). TIGTA is tasked with providing independent oversight of IRS activities by conducting audits and providing investigative services involving IRS programs and operations. This strategic plan describes what we intend to accomplish over the next five years to achieve our mission and successfully meet our statutory responsibilities.

As we enter the millennium, our organization faces the challenge of delivering responsive, quality audit and investigative services to an agency that is undergoing tremendous change. Due to recent criticism and resulting legislation, the IRS is changing the way it does business to enhance taxpayer protection and rights and achieve a more efficient and responsive organization.

TIGTA must continually improve the impact of the audit program as we strive to meet our extensive statutory audit requirements imposed by RRA 98 and the Inspector General Act of 1978 while providing sufficient coverage to IRS' broad range of activities. It is particularly important to assure risks are minimized during this period of change within the agency. TIGTA will also improve the efficiency of the investigative program to meet the expected increase in investigative services resulting from RRA 98. This will be done in conjunction with maintaining our commitment to investigate unauthorized accesses to IRS computer systems and undertake proactive investigative activities.

I look forward to using this plan to build a strong inspector general organization that focuses on achieving results that improve the nation's tax administration system.

David C. Williams
Inspector General

Comments or questions regarding TIGTA's Strategic Plan should be referred to TIGTA's Office of Performance and Investment:

Phone (202) 622-3968

Fax (202) 622-1568

**Mail Treasury Inspector General for Tax
Administration
Office of Performance and Investment
IG:MS:PI:P
1111 Constitution Avenue, NW
Washington, DC 20224**

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Vision Statement

We are a respected member of the government community:

- Independent, objective and professional in the conduct of our mission.
- Dedicated and innovative professionals who take pride in promoting fair tax administration and good government.
- Proud of our past and focused on our future.

Mission

Provide audit and investigative services that promote economy, efficiency and integrity in the administration of the internal revenue laws.

Statutory Responsibilities

TIGTA is mandated by the Inspector General Act of 1978 to:

- Provide policy direction and conduct, supervise and coordinate audits and investigations relating to the programs and operations of the IRS.
- Review existing and proposed legislation and regulations relating to programs and operations of the IRS and make recommendations concerning the impact of such legislation or regulations.
- Promote economy and efficiency in the administration of the tax laws.
- Prevent and detect fraud, waste and abuse in IRS programs and operations.
- Inform the Secretary of the Treasury and the Congress of problems identified and the progress made in resolving them.

RRA 98 imposes additional requirements on TIGTA in relation to reporting on specific IRS activities. These additional responsibilities include:

- Evaluating compliance with:
 - Section 1204 of RRA 98 on the use of enforcement statistics to evaluate IRS employees.
 - Restrictions on contacting taxpayers who have indicated that they prefer their representatives be contacted.
 - Procedures for filing a notice of a lien.

- Procedures for seizures of property for collection of taxes, including procedures regarding levies.
- Removal of the Illegal Tax Protestor designation.
- Reviewing and certifying whether the Secretary is complying with the requirements to disclose information on collection activity to an individual filing a joint return.
- Providing information regarding extension of the statute of limitation for assessment and collection of tax and the provision of notice to taxpayers regarding requests for such extension.
- Evaluating the adequacy and security of IRS technology.
- Providing information on any termination or mitigation under Section 1203 of RRA 98.
- Providing information regarding improper denial of requests for information from the IRS.
- Providing information regarding any administrative or civil actions with respect to violations of the fair debt collection provisions of Section 6304 of the Internal Revenue Code.

Environmental Scan

The IRS

As an oversight function, TIGTA's environment is directly affected by the environment within which the IRS operates.

The IRS collects over \$1.9 trillion annually to fund the nation's government. This requires the processing of over 200 million tax returns, issuing over 90 million refunds, distributing over 1 billion tax forms and publications, and assisting over 130 million taxpayers. The IRS must continually strive to achieve these tasks while maintaining the highest level of integrity and assuring taxpayer privacy. The IRS also implements and enforces tax laws to ensure that all parts of the taxpaying public pay the proper amount of tax.

In addition to these daily challenges, IRS faces many management issues. Most notably, the IRS is in the midst of tremendous change due to modernization efforts that incorporate RRA 98 requirements and information technology needs. RRA 98 mandated changes to the way IRS does business, and will result in enhanced taxpayer protection and rights, including improved accountability over complaints and allegations received against IRS employees, and organizational changes intended to achieve a more efficient and responsive IRS. Modernization of IRS computer systems and security of taxpayer information are two issues that have caused major concerns for the past several years. The IRS has been attempting to modernize its antiquated tax systems for more than a decade.

Modernization is crucial to implementing the new business vision and implementing world-class service to taxpayers. In addition, the security of taxpayer data has been an area of concern for the IRS, particularly the unauthorized access of taxpayer records.

Other examples of current management issues affecting IRS' environment include managing finances, processing tax returns, providing customer service, minimizing tax filing fraud, implementing the Government Performance and Results Act of 1993 and assessing the impact of the global economy on tax administration.

When the IRS environment changes and new management issues arise, TIGTA must ensure that audit and investigative efforts are focused in those areas that pose the greatest risk to tax administration. Strategic goals will be adjusted accordingly.

The Inspector General Community

TIGTA's environment is also impacted by changes within the Inspector General community. On occasion, legislation is passed that gives Inspectors General additional work and responsibilities. Strategic goals will also be adjusted in these instances.

General Goals, Objectives and Strategies

Goal 1. Improve the economy, efficiency and effectiveness of tax administration.

TIGTA identifies opportunities to improve administration of the nation's tax laws by conducting comprehensive, independent performance and financial audits of IRS programs and operations. The audit program is driven by an annual audit plan which focuses audit resources in the areas at greatest risk. In Fiscal Year 1999, TIGTA's audit program focused on information technology issues, including Year 2000 compliance and computer security, as well as taxpayer protection and rights, tax return processing, customer service and tax fraud issues. Recommendations resulted in cost savings, as well as other quantifiable impacts such as protection of revenue, increased revenue, reduction of taxpayer burden, protection of taxpayer rights and entitlements, taxpayer privacy and security, and protection of IRS resources.

The purpose of this goal is to improve the impact of audit findings and recommendations and their resulting outcomes. The following objectives will be implemented to achieve this goal.

Objective:

Achieve cost savings, increase revenue, reduce taxpayer burden, protect taxpayer rights and entitlements, improve taxpayer privacy and security and protect IRS resources.

Strategies:

- Conduct performance and financial audits of IRS operations and programs.
- Conduct reviews of IRS' information technology systems, including the computer security program.
- Develop annual audit plans that effectively allocate audit resources to the most high risk and vulnerable areas within the IRS, such as: financial management, modernization efforts, security over information systems, tax return processing, customer service operations, revenue protection and taxpayer rights.
- Provide effective, useful and timely recommendations to IRS management.
- Develop computerized applications and data storage that will increase productivity and thoroughness during audits.

Operational processes, skills, technology and resources required:

- Continued training will be needed in Electronic Data Processing (EDP) audit techniques as this area is constantly changing and auditors must have up-to-date skills and information.
- Annual risk assessments, which may include internal control evaluations, will be conducted to assure that reviews are focused in the most vulnerable areas.
- Computer technology should continue to be enhanced and utilized so that the audit process can be conducted as efficiently and effectively as possible.

Goal 2. Improve the integrity of IRS operations by detecting and deterring fraud, waste, abuse or misconduct by employees and/or persons outside of the IRS.

TIGTA is responsible for the development and execution of nationwide investigative programs relating to oversight of IRS activities and operations. These programs include protecting the integrity of the IRS and IRS employees against external attempts to corrupt or threaten them while carrying out their official duties. TIGTA also investigates allegations of criminal wrongdoing and administrative misconduct by IRS employees.

In Fiscal Year 1999, TIGTA initiated a broad range of criminal and administrative misconduct investigations. In response to Section 1203 of RRA 98 (Termination of Employment for Misconduct), a Complaint Management Division was established along with procedures and guidance to address misconduct and other

complaints. A toll-free telephone number and an e-mail account were also established to receive complaints of wrongdoing. Further, the Strategic Enforcement Division was established to intensify TIGTA's ability to detect fraud and misuse of IRS systems, by both internal and external parties. To heighten integrity awareness and to provide a deterrent effect against fraud, waste, abuse and misconduct, TIGTA conducts integrity awareness presentations for IRS employees, as well as law enforcement agencies, tax practitioners and community groups.

The purpose of this goal is to enhance investigative programs to improve integrity within the IRS. The following objectives will be implemented to achieve this goal.

Objectives:

- a) Investigate complaints of criminal wrongdoing or administrative misconduct in a comprehensive and timely manner.

Strategies:

- Conduct thorough, fair and timely criminal and misconduct investigations.
- Maintain a responsive TIGTA hotline.
- Improve accountability over complaint dispositions.
- Develop computerized applications and data storage for special agents that will increase productivity and thoroughness during investigations.

- b) Prevent and detect fraud and promote integrity within the IRS.

Strategies:

- Initiate a program to improve the capability to proactively identify and investigate fraudulent use of, and unauthorized accesses to, IRS computer systems.
- Heighten integrity awareness and deter fraud among IRS employees by conducting integrity/awareness briefings.
- Promote publicity of relevant investigations to increase awareness and maximize the deterrent effect of such publicity.

Operational processes, skills, technology and resources required:

- Training will be needed for staff in the Complaint Management Division to assure allegations and complaints are evaluated properly at the front end (as hotline calls, e-mails, etc., come into the Division).
- A communication plan is needed for dissemination of relevant investigative information to increase awareness.
- Computer enhancements on the Audit Trail Lead Analysis System (ATLAS) should continue to assure unauthorized access is detected as quickly and accurately as possible. (ATLAS is designed to detect potential unauthorized accesses to electronic taxpayer records.)

Goal 3. Provide quality service and products to TIGTA customers and stakeholders.

TIGTA's audit and investigative products and services benefit many different customers—IRS management, the Department of the Treasury and the Congress. The purpose of this goal is to measure success in terms of how well we meet the needs and expectations of our customers.

Our first customer survey of IRS officials was conducted in July 2000 and will be yearly thereafter.

Objective:

Deliver quality, accurate and timely products that meet customer and stakeholder needs.

Strategies:

- Improve the effectiveness and usefulness of TIGTA products.
- Keep the Congress, external stakeholders and the IRS Commissioner timely apprised of significant issues.
- Conduct timely reviews as requested by external parties (the Congress or the IRS Board).
- Respond timely to information requested by the Congress or other stakeholders.
- Use a formal audit risk assessment process that considers stakeholder concerns.
- Obtain customer/stakeholder feedback to improve services and products and make program adjustments accordingly.
- Maintain an effective quality review process over TIGTA products.

Operational processes, skills, technology and resources required:

- An effective customer service survey needs to be developed.
- Professional consultation is needed to develop a useful, non-biased customer satisfaction survey.
- A process to address problem areas identified through customer satisfaction surveys needs to be developed.

Goal 4. Maintain and recruit high quality TIGTA employees.

The key to achieving our first three goals will be dependent on a high quality staff. Our first employee survey will be conducted in September 2000 and will be yearly thereafter.

Objective:

Maintain a high quality workforce with adequate knowledge, skills and abilities to produce quality products in an economical and efficient manner.

Strategies:

- Recruit and retain high caliber employees.
- Maintain an effective training and Continuing Professional Education program for TIGTA employees.
- Maintain a Journey-level Advisory Council to help set the direction for TIGTA.
- Initiate inspections and peer reviews of TIGTA operations.
- Conduct annual employee surveys.

Operational processes, skills, technology and resources required:

- An effective employee survey needs to be developed.
- Professional consultation is needed to develop a useful, non-biased employee satisfaction survey.
- External contractor is needed to administer the employee satisfaction survey.

External Factors

The achievement of TIGTA's goals and objectives is dependent on sufficient staffing levels. The Office of Audit must be able to address new issues while meeting RRA 98 statutory audit requirements and accomplishing planned audit work. Given the major changes scheduled within IRS, it is likely that new audit issues will surface and require coverage.

TIGTA is impacted by changes in the economy. Most notably, the ability to hire individuals with strong technical skills such as information technology. TIGTA

conducts a large number of audits concentrated on IRS' high profile information technology efforts; therefore, having qualified staff to conduct these audits is crucial. In addition, TIGTA has several technical programs such as detecting unauthorized access to IRS computer systems that also require strong information technology skills.

TIGTA must also capitalize on new computer technology to improve the organization's management information systems. Enhanced systems will enable TIGTA to meet its extensive reporting requirements in a timely, accurate and cost effective manner.

Appendix A

Strategic Management Process

TIGTA's strategic management process is led by the Inspector General and coordinated through the Office of Performance and Investment. TIGTA's two major program components, the Offices of Audit and Investigations, provide input on overall goals, objectives and measures that gauge performance in the spirit of the Government Performance and Results Act of 1993. Consideration is given to needed improvements identified from independent program evaluations. The vision statement adopted by the President's Council on Integrity and Efficiency community is also considered.

The strategic plan will be shared with all TIGTA personnel by posting it on our internal web site. The expectations related to the goals and objectives are regularly discussed with managers at all levels and they in turn, ensure the staff understands the importance of our strategic direction as it relates to their job.

Achievement of the strategic goals is assessed through annual performance goals. The Office of Audit and the Office of Investigations maintain management information systems that will provide performance measurement data. The data is compiled into a monthly report which is used by the Inspector General and TIGTA managers to monitor and report on achievements related to performance goals.

TIGTA's annual budget submission is built around the goals and objectives in the strategic plan. An annual performance plan is prepared for each budget request to the Congress to illustrate the performance goals and indicators for the fiscal year. TIGTA will also prepare an annual performance report to show actual performance as compared to the goals set at the beginning of each fiscal year.

Appendix B

Relationship Between the Annual Performance Plan and the Strategic Plan

Treasury Strategic Goal and Objectives	TIGTA Strategic Goal	Performance Goals in the Annual Performance Plan
<p>Support the achievement of business results.</p> <ul style="list-style-type: none"> • <i>Ensure strong financial management of Treasury accounts</i> • <i>Make wise capital investments and effectively manage Treasury assets</i> • <i>Procure quality goods and services at a fair and reasonable price and in a timely manner</i> • <i>Ensure continuity of Treasury operations</i> • <i>Strengthen Treasury's ability to ensure proper and effective oversight of bureau operations</i> 	<p>Improve the economy, efficiency and effectiveness of tax administration.</p>	<p>A. By FY 2005, increase the monetary benefits from audit recommendations to a level of \$200 million annually.</p> <ul style="list-style-type: none"> • FY 2000 - \$102 million • FY 2001 - \$120 million • FY 2002 - \$140 million • FY 2003 - \$160 million • FY 2004 - \$180 million • FY 2005 - \$200 million
		<p>B. By FY 2005, improve the quality of tax administration for 20 million taxpaying entities annually.</p> <ul style="list-style-type: none"> • FY 2000 – 10.2 million • FY 2001 – 12 million • FY 2002 – 14 million • FY 2003 – 16 million • FY 2004 – 18 million • FY 2005 - 20 million
		<p>C. Maintain the percentage of audit recommendations agreed to by management. (Deleted in FY 2001)</p> <ul style="list-style-type: none"> • FY 2000 – 90%
		<p>D. By FY 2005, increase and/or protect government revenue by \$1.5 billion annually. (Beginning in FY 2001)</p> <ul style="list-style-type: none"> • FY 2001 – \$1.1 billion • FY 2002 – \$1.2 billion • FY 2003 – \$1.3 billion • FY 2004 – \$1.4 billion • FY 2005 - \$1.4 billion

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Treasury Strategic Goal and Objectives	TIGTA Strategic Goal	Performance Goals in the Annual Performance Plan
<p>Support the achievement of business results.</p> <ul style="list-style-type: none"> • <i>Make wise capital investments and effectively manage Treasury assets</i> • <i>Ensure continuity of Treasury operations</i> • <i>Strengthen Treasury's ability to ensure proper and effective oversight of bureau operations</i> 	<p>Improve the integrity of IRS operations by detecting and deterring fraud, waste, abuse or misconduct by employees and/or persons outside of the IRS.</p>	<p>E. Maintain integrity awareness within the IRS by providing briefings to at least one-third of IRS employees annually.</p> <ul style="list-style-type: none"> • FY 2000 – 33% • FY 2001 – 33% • FY 2002 – 33% • FY 2003 – 33% • FY 2004 – 33% • FY 2005 – 33%
		<p>F. Provide timely justice by referring at least 80% of criminal investigative reports for prosecution within one year after case initiation.</p> <ul style="list-style-type: none"> • FY 2000 – 80% • FY 2001 – 80% • FY 2002 – 80% • FY 2003 – 80% • FY 2004 – 80% • FY 2005 – 80%
		<p>G. By FY 2005, refer at least 70% of misconduct investigative reports to management for administrative adjudication within four months of case initiation.</p> <ul style="list-style-type: none"> • FY 2000 – 60% • FY 2001 – 62% • FY 2002 – 64% • FY 2003 – 66% • FY 2004 – 68% • FY 2005 – 70%
		<p>H. Maintain at least a 90% quality standard for all investigations conducted. (Beginning in FY 2001)</p> <ul style="list-style-type: none"> • FY 2001 – 90% • FY 2002 – 90% • FY 2003 – 90% • FY 2004 – 90% • FY 2005 – 90%

Appendix B

Relationship Between the Annual Performance Plan and the Strategic Plan

Treasury Strategic Goal and Objectives	TIGTA Strategic Goal	Performance Goals in the Annual Performance Plan
Improve customer satisfaction.	Provide quality service and products to TIGTA customers and stakeholders.	<p>I. By FY 2005, achieve at least an 80% positive response rate on customer satisfaction surveys.</p> <ul style="list-style-type: none"> • FY 2000 – Baseline • FY 2001 – 65% • FY 2002 – 68% • FY 2003 – 73% • FY 2004 – 78% • FY 2005 – 80%
Improve employee satisfaction.	Maintain and recruit high quality TIGTA employees.	<p>J. By FY 2005, achieve at least an 80% positive response rate on employee satisfaction surveys.</p> <ul style="list-style-type: none"> • FY 2000 – Baseline • FY 2001 – 60% • FY 2002 – 65% • FY 2003 – 70% • FY 2004 – 75% • FY 2005 – 80%

Appendix C

Program Evaluations

In January 1999, most of the responsibilities of the IRS Inspection Service were transferred to TIGTA. Since the inception of TIGTA, there have been no independent evaluations of TIGTA operations. However, in 1998, the IRS Inspection Service was the subject of an extensive review by an independent consultant. The review focused on the organization, operations and reporting procedures of the Inspection Service. The audit and investigative programs were reviewed for general compliance with applicable professional standards. In addition, the review team evaluated the performance of the Inspection Service in providing useful information to decision makers to cause positive change in IRS programs and management.

The review team found that the Inspection Service needed to focus more attention on the quality of its work and less on quantity. TIGTA has focused its strategic goals on improving the quality of investigative services and audits by establishing goals that will measure the timeliness of investigative referrals and the ability to conduct more effective and impactful audits. The quality of TIGTA services will also be evaluated through customer satisfaction surveys.

Future Evaluations

As part of the President's Council on Integrity and Efficiency's peer review process, TIGTA's audit activities will be reviewed by a designated inspector general organization in Fiscal Year 2000. The review will determine whether an effective internal quality control system has been established which complies with the Government Auditing Standards promulgated by the Comptroller General of the United States and whether established policies, procedures and applicable auditing standards are being followed. Issues identified through this review will be used, as appropriate, to adjust strategic goals and objectives in the future. Another peer review will be conducted in Fiscal Year 2003 or 2004.

TIGTA's investigative programs will be evaluated on an annual basis by the Office of Investigations' Special Inquiries and Inspection Division. The evaluations will ensure the quality of TIGTA investigative products; ensure that TIGTA investigations and administrative operations are conducted in conformance with applicable laws, rules, regulations, standards and internal procedures; and that TIGTA resources are being effectively and efficiently managed.

Appendix D

Data Capacity

TIGTA maintains a comprehensive network system, comprised of software and telecommunications capabilities, that is available to all TIGTA employees. The Office of Audit and the Office of Investigations utilize the network to maintain management information systems to capture data on their respective activities. These systems allow TIGTA to meet extensive reporting requirements and to provide data on the performance measures used to determine achievement of the goals presented in this strategic plan.

The validity and reliability of the Office of Audit's management information used to calculate the performance goals is considered to be reasonably accurate. The data is validated independently and reconciled on a regular basis by comparing written submissions against draft and final audit reports.

The validity and reliability of the Office of Investigations' management information system, Investigations Management Information System (IMIS), is considered to be reasonably accurate. The data is verified by the supervisor and manager as investigations are closed. Additionally, independent reviewers, on a sample basis, verify IMIS data against closed case files for accuracy.

A new management information system, Performance and Results Information System (PARIS), will begin replacing the current Investigations system in Fiscal Year 2001. PARIS will provide the ability to capture and measure more data. It will also provide more effective system controls to ensure data accuracy and reliability.

Appendix E

Consultations

TIGTA's draft strategic plan was provided to key congressional committees, the Office of Management and Budget, Treasury, Internal Revenue Service and the General Accounting Office for review and comment. No significant concerns were raised during the consultation process. As appropriate, TIGTA revised the strategic plan based on the comments received.